

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO. 4337-01
BILL NO. HB 1905
SUBJECT: Exempts Sales/Use Tax on First \$5,000 of Purchase Price on All Motor Vehicles
TYPE: Original
DATE: March 31, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Highway Fund	\$3,813,966	\$4,749,868	\$4,791,109
General Revenue	(\$36,154,139)	(\$45,554,211)	(\$47,831,922)
School District Trust Fund	(\$11,902,566)	(\$14,997,233)	(\$15,747,095)
Conservation Sales Tax Fund	(\$3,759,015)	(\$4,736,327)	(\$4,973,143)
Parks & Soils Sales Tax Fund	(\$3,009,751)	(\$3,792,262)	(\$3,981,875)
Total Estimated Net Effect on <u>All</u> State Funds	(\$51,011,505)	(\$64,330,165)	(\$67,742,926)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Cities	(\$24,361,013)	(\$30,733,974)	(\$32,309,924)
County Aid Road Trust Fund	(\$11,281,227)	(\$14,371,199)	(\$15,209,385)
Total Estimated Net Effect on Local Funds	(\$35,642,240)	(\$45,105,173)	(\$47,519,309)

Numbers within parentheses: () indicate costs or losses

FISCAL ANALYSIS

ASSUMPTION

The **Department of Revenue (DOR)** assumes that costs of \$36,561 would be incurred by the Motor Vehicle Bureau for procedure revisions, envelopes and postage. In addition, programming changes costing approximately \$30,000 would need to be made to the FASTR system by the contracted consultant (200 hours x \$150 per hour). This proposal would result in a substantial loss of revenue. The revenue loss is based on the FY99 sales and use tax paid to the DOR using an effective date of 8/28/2000, and a growth rate of 5% per year. An exemption of the first \$5,000 purchase price on motor vehicles for sales and use tax and the replacement of highway fund revenues with a fee increases would result in a loss to the various Motor Vehicle Sales Tax Funds of approximately \$64 million in FY 2002 and a loss to cities and counties of approximately \$45 million in FY 2002.

The **Department of Highway (DHT)** assumes that there would be a substantial decrease in revenue generated. The DHT indicated that it would defer to the DOR's estimates.

The **Office of Administration (COA), Division of Budget & Planning** concurs with DOR's estimate of lost revenue.

This proposal would result in a decrease to Total State Revenues.

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FISCAL IMPACT - State Government

FY 2001 FY 2002 FY 2003
(9 Mo.)

HIGHWAY FUND

Income

Increase in fees \$64,152,900 \$80,636,398 \$84,471,965

Loss

Exemption from Tax (\$60,272,373) (\$75,886,530) (\$79,680,856)

Cost - DOR

Forms and policies - printing and postage (\$36,561) \$0 \$0
FASTR Programming changes (\$30,000)

**ESTIMATED NET EFFECT ON
HIGHWAY FUND**

\$3,813,966 \$4,749,868 \$4,791,109

GENERAL REVENUE FUND

Loss

Exemption from Tax (\$36,154,139) (\$45,554,211) (\$47,831,922)

**ESTIMATED NET EFFECT ON
GENERAL REVENUE FUND**

(\$36,154,139) (\$45,554,211) (\$47,831,922)

SCHOOL DISTRICT TRUST FUND

Loss

Exemption from Tax (\$11,902,566) (\$14,997,233) (\$15,747,095)

**ESTIMATED NET EFFECT ON
SCHOOL DISTRICT TRUST FUND**

(\$11,902,566) (\$14,997,233) (\$15,747,095)

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<u>FISCAL IMPACT - State Government</u> (continued)	FY 2001 (9 Mo.)	FY 2002	FY 2003
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CONSERVATION SALES TAX FUND

Loss

Exemption from Tax	(\$3,759,015)	(\$4,736,327)	(\$4,973,143)
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ESTIMATED NET EFFECT ON CONSERVATION SALES TAX FUND	<u>(\$3,759,015)</u>	<u>(\$4,736,327)</u>	<u>(\$4,973,143)</u>
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PARKS & SOILS SALES TAX

Loss

Exemption from Tax	(\$3,009,751)	(\$3,792,262)	(\$3,981,875)
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ESTIMATED NET EFFECT ON PARKS & SOILS SALES TAX	<u>(\$3,009,751)</u>	<u>(\$3,792,262)</u>	<u>(\$3,981,875)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (9 Mo.)	FY 2002	FY 2003
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LOCAL

Income-Cities

Increase in fees	\$12,830,685	\$16,127,279	\$16,894,392
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Loss-Cities

Exemption from Tax	<u>(\$37,191,698)</u>	<u>(\$46,861,253)</u>	<u>(\$49,204,316)</u>
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Net Effect - Cities	<u>(\$24,361,013)</u>	<u>(\$30,733,974)</u>	<u>(\$32,309,924)</u>
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Income-County Aid Road Trust Fund

Increase in fees	\$8,553,720	\$10,620,684	\$11,132,093
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Loss-County Aid Road Trust Fund

Exemption from Tax	<u>(\$19,834,947)</u>	<u>(\$24,991,883)</u>	<u>(\$26,341,478)</u>
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Net Effect - Counties	<u>(\$11,281,227)</u>	<u>(\$14,371,199)</u>	<u>(\$15,209,385)</u>
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FISCAL IMPACT - Local Government
(continued)

FY 2001	FY 2002	FY 2003
(9 Mo.)		

**ESTIMATED NET EFFECT ON
LOCAL FUNDS**

(\$35,642,240) (\$45,105,173) (\$47,519,309)

FISCAL IMPACT - Small Business

This proposal would have a direct fiscal impact on small new and/or used car dealerships.

DESCRIPTION

The proposal exempts the first \$5,000 of the purchase, rental, or lease of motor vehicles from state and local sales and use taxes.

The proposal also increases the fees charged for all motor vehicle and trailer registrations, transfer of ownerships, most drive-away licenses, special personalized license plates, certificates of ownership, instruction permits, commercial driver's licenses, driver's licenses, and duplicate licenses by \$12.50 per transaction.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue
Office of Administration
Division of Budget & Planning
Department of Transportation



Jeanne Jarrett, CPA
Director
March 31, 2000